
OLR Bill Analysis

sSB 35

AN ACT CONCERNING NOTICE OF ACQUISITIONS, JOINT VENTURES AND AFFILIATIONS OF GROUP MEDICAL PRACTICES.

SUMMARY:

This bill requires parties to certain transactions that materially change the business or corporate structure of a medical group practice to notify the attorney general (AG). In general, a material change is defined as any merger, consolidation, affiliation, stock acquisition, formation of partnership, or change in corporate structure involving a hospital or similar entity or that results in a group practice of eight or more physicians.

It also requires parties to transactions involving a hospital, hospital group, or health care provider that are subject to federal antitrust review to (1) notify the Connecticut AG and (2) at his request, provide a copy of the information filed with the federal agencies.

Under the bill, the AG must maintain and use the information submitted to him, in both cases, as part of his antitrust investigation and enforcement capability.

The bill also requires hospitals and hospital systems with affiliated group practices, and unaffiliated group practices of 30 or more physicians, to report annually to the AG.

EFFECTIVE DATE: October 1, 2014

NOTIFICATION REQUIREMENTS

Transactions Involving Group Practices

The bill requires parties engaging in any transaction resulting in a material change to a group practice to notify the AG in writing at least 90 days prior to the transaction's effective date (or 30 days prior for

transactions involving an insolvent group practice).

A group practice consists of two or more physicians organized in a partnership, professional corporation, limited liability company, medical foundation, not-for-profit corporation, faculty practice plan, or other similar entity in which (1) each physician provides substantially the full range of services they normally provide, (2) most of the services of member physicians are provided and billed in the name of the group practice, or (3) in which the overhead expenses and income of the group are distributed by a method determined by group members.

A group practice's business or corporate structure is materially changed if it engages in any of the following transactions with (1) another group practice (including an insolvent practice) resulting in a group practice of eight or more physicians, or (2) a hospital, hospital system, captive professional entity, medical foundation, or other entity organized or controlled by the hospital or hospital system:

1. a merger, consolidation, or affiliation;
2. a substantial stock (including capital stock), membership or equity interest, property, or asset acquisition;
3. the employment of all or substantially all of the physicians of a group practice or by a hospital or related entity; and
4. the formation of a partnership, joint venture, common entity, accountable care organization, or parent corporation for the purposes of contracting or providing services on behalf of one or more group practices.

The notification must identify each party and describe the material change, including:

1. a description of the nature of the proposed relationship among the parties;
2. the name and specialty of each physician who is a member of

the group practice that is the subject of the transaction and who will practice with the resulting group practice, hospital system, or other medical entity, or otherwise be affiliated after the transaction;

3. the names of the business entities that are to provide services following the effective date of the transaction, including the address for each location where the services are to be provided;
4. a description of the services to be provided at each location; and
5. the primary service area to be served by each location.

Transactions Involving Hospitals

Under the bill, if at least one party involved in a merger, acquisition, or other transaction governed by the Hart-Scott-Rodino Antitrust Improvements Act (15 USC §18a, known as the HSR Act) is a hospital or health care provider, all parties must submit to the Connecticut AG written notification of the Federal Trade Commission (FTC) and Department of Justice (DoJ) filing. Upon request, the parties involved must also provide to the AG a copy of the filing.

ANNUAL REPORTING FOR HOSPITALS AND SOME GROUP PRACTICES

By December 31, 2014, and annually thereafter, the bill requires each hospital or hospital system with an affiliated group practice and unaffiliated group practices of 30 or more physicians to file a written report with the AG and the public health commissioner. The report must include:

1. the name and specialty of each physician practicing within the group practice;
2. the names of the business entities that provide services as part of the group practice, including the addresses for each location where services are provided;
3. a description of the services provided at each location, and

4. the primary area to be served by each location.

In addition, hospitals and hospital systems with an affiliated group practice must also include a description of the nature of the relationship between the hospital or hospital system and the group practice.

BACKGROUND

HSR Act Thresholds

The HSR Act requires parties in transactions exceeding specific amounts to notify and file certain information with the FTC and DoJ. Generally, a report is required under HSR if, as a result of the transaction, the acquiring person or entity holds: (1) over \$303.4 million worth of the stock and assets of the acquired person or entity or (2) between \$75.9 million and \$303.4 million worth of stock and assets of the acquired person or entity and meets the following criteria:

1. one person or entity has sales or assets of at least \$151.7 million and
2. the other person or entity has sales or assets of at least \$15.2 million.

By law, the FTC updates the threshold requirements once a year in response to changes in the gross national product. Thresholds listed above are those effective February 24, 2014.

Connecticut Attorney General Antitrust Powers

Under the Connecticut Antitrust Act, the AG may investigate a potential monopoly, restraint of trade, or other action intended to reduce competition. In the course of an investigation, the AG may issue subpoenas and other demands for related documents. Violations of the antitrust act carry civil penalties of up to \$1 million.

Related Bills

HB 5345, reported favorably by the Labor Committee, allows health care providers to form a health collaborative for the purpose of negotiating with insurance companies. Depending on its

organizational structure, a collaborative of eight or more physicians may meet some of the reporting criteria described above.

COMMITTEE ACTION

Public Health Committee

Joint Favorable Substitute

Yea 25 Nay 1 (03/21/2014)